

MINUTES
North Dakota Public Employees Retirement System
January 20, 2000
Sakakawea Room
State Capitol
Bismarck, ND
8:00 a.m.

Members Present: Mr. Murray Sagsveen, Chairman
Mr. Weldee Baetsch
Mr. David Gunkel
Mr. Ron Leingang
Mr. Howard Sage
Ms. Rosellen Sand

Members Absent: Mr. Joseph Maichel

Others Present: Mr. Sparb Collins, Executive Director NDPERS
Ms. Jeanne Welder, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Scott Miller, Attorney General's Office
Mr. Todd Sattler, Attorney General's Office
Mr. Tom Tupa, AFPE & INDSEA
Mr. Howard Snortland, AFPE
Ms. Chris Runge, NDPEA
Ms. Mary Sorenson, BCBSND
Ms. Sue Tibiatowski, BCBSND
Mr. Dick Hedahl, Hedahl's Inc.

In the absence of Mr. Maichel, Mr. Sagsveen agreed to chair today's meeting. Chairman Sagsveen called the meeting to order at 8:05 a.m. and conveyed that the first item on the agenda, *Wellness Program*, would be a presentation by Mr. Dick Hedahl regarding the wellness program implemented by his firm. The Board had invited Mr. Hedahl to share his experience in the development and implementation of the health plan they have in place. It was anticipated that Mr. Hedahl would arrive shortly, however, in the interim the Board would begin with agenda item I-B.

GROUP INSURANCE:

HMO:

Heart of America HMO submitted their request to continue to offer their program to PERS participants in the Rugby service area, and also to expand their service into the Minot area. The term of the contract would be from July 1, 2000 through June 30, 2001. Heart of America also included a new option under their contract as well. Staff requested clarification on this new option, as well as, other various issues. Ms. Allen reported that the information should be available for consideration at the February meeting. This item was informational only and required no action by the Board.

Health Premiums:

Included with the board materials was an analysis providing a comparison of growth rates of private employers and Medicare expenditures, compared to the cumulative insurance growth rate for PERS. This analysis indicated that the PERS cumulative growth rate was low when compared to the other plans. This item was informational only and required no action by the Board.

Prenatal Plus Program:

BCBSND distributed the Prenatal Plus program (PNP) packet that is provided to PERS members who elect to participate in the program. At the last board meeting the Board requested additional information regarding the method used to encourage participation in the program, and questioned whether additional exposure might increase that participation level. In reviewing background information, staff found that several years ago discussions were held regarding the method to be used for enrolling participants. At that time, the Board elected not to contact a member directly upon notification of a pregnancy claim submission, due to patient confidentiality issues and other relevant criteria. The process elected was to have cards promoting the PNP available at physician offices for members' use. Later PERS also added the incentives of waiving the deductible for delivery, and waiving the copay for prenatal vitamins. A member is signed into the program once they contact the Service Unit and return the survey sent to them. This survey gathers pertinent data relating to the member's existing health habits.

Ms. Sorenson explained that when the program was implemented in 1995, PNP packets were made available in physician offices and re-supplied upon request. However, no specific follow up was assigned to determine whether the packets continued to be available. BCBSND has recently formed a focus group to ensure that physician offices are re-supplied upon request. In addition, BCBSND prints a message on all EOBs regarding the PNP program. Discussion followed on the confidentiality concerns and what additional efforts might be undertaken to promote this program more effectively.

Chairman Sagsveen conveyed that the State Health Department is making a concerted effort to ensure information regarding the wellness benefit programs is dispersed within the department. In addition, the state agency human resource managers meet on a regular basis. He suggested holding a meeting of the human resource managers of each state agency to discuss and focus on each of the wellness benefits available. Hopefully this process would help to inform the contact individuals, who could then share the information with their respective agency and staff members. Chairman Sagsveen further suggested that representatives of BCBSND also attend and participate at the meeting of human resource groups.

Mr. Collins inquired whether the Board wished to take a more focused approach to this program, such as contacting the member upon submission of a claim for pregnancy. If so, he would proceed with requesting an Attorney General's opinion regarding the confidentiality concerns. Ms. Sand noted that under the current approach it is difficult to determine whether the program is actually effective since members are not enrolled unless they respond to the survey. Mr. Sage indicated that PERS should also be more proactive in notifying employees and members of this wellness benefit. Chairman Sagsveen suggested that BCBSND consider expanding the focus group to include HR individuals. Mr. Collins noted that this issue would

also be on the agenda for the upcoming Benefits Committee meeting for discussion and consideration. It was agreed to revisit this issue after the Benefits Committee had an opportunity to review and discuss it. This item was informational only and required no action by the Board.

Confidentiality Provisions:

Mr. Collins reported that recently a question arose from a third party relating to health insurance premiums and whether a member's payments were current. Staff believed the information to be confidential under current statute, but upon further checking with legal counsel, it was determined this type of information was not confidential or exempt under the current statutes. Noting that efforts are currently underway to prepare legislation for consideration during the next Session, Mr. Collins inquired whether the Board wished to have legislation developed that would make this type of information confidential. Discussion followed. Mr. Miller explained that although the language under retirement and health statutes is similar in many areas, confidentiality provisions under the retirement statutes are considerably broader than the health insurance statutes. Chairman Sagsveen suggested that if board members felt staff should move forward with developing legislation related to this issue, they contact Mr. Collins before the February board meeting.

Quarterly Graphs:

Included with the board materials were quarterly graphs showing the amount the plan paid on medical claims, on a per capita basis, through September 1999. Mr. Reinhardt provided an overview of the report. This item was informational only and required no action by the Board.

1999 Employee Benefits Survey:

Included with the board materials were the findings of the 1999 Employee Benefits Survey. This survey is conducted every two years. The objective is to solicit information from employees regarding membership participation, their utilization of the programs available to them, as well as, their understanding and satisfaction levels with their plan of benefits. Mr. Reinhardt provided a detailed review of the findings and conclusions of the survey. A copy of this report is on file at the PERS office, located at 400 E. Broadway, Suite 505, in Bismarck, ND. The report may be viewed during normal business hours, Monday through Friday.

Wellness Program:

Mr. Hedahl addressed the Board and shared with them the process he went through in restructuring their health plan, as well as, the wellness incentives that were incorporated. He noted that Hedahl's has approximately 140 employees who are eligible for Hedahl's full benefits package, and that health insurance has always been a component of that benefits package. In 1986, Hedahl's went to a self-funded plan, which they did very well with until around 1991. In 1991 the cost of their health care package was approximately \$313,000; in 1992 that cost rose to approximately \$570,000. At that point discussions were held on whether health insurance could continue to be offered as a part of their benefits package. It was decided that canceling this benefit was not an acceptable option. Therefore, the program was restructured. In the course of reviewing available options, Mr. Hedahl also reviewed incentives that could be incorporated in an effort to keep members healthier. One of the things he noted about their particular group was that a good percentage of the

members were smokers, and under the age of 40. Consideration was then focused on what steps could be taken to encourage employees to lead healthier lifestyles. The resulting plan provides cash incentives each month for employees and their spouses who elect to lead healthier lifestyles. Some of those incentives include:

- Electing to be a non-smoker
- Keeping their weight below that specified on a gender based, weight/height chart
- Agreeing to not exceed a specified amount of drinks in any calendar day
- A cash incentive for each verified annual screening of blood pressure, cholesterol, cancer and blood sugar.

At the beginning of each plan year employees are required to sign on to their elected wellness benefits. If they are unable to maintain the established criteria for that benefit, the benefit is withdrawn until the employee can again establish that they are eligible to participate. Employees are able to apply their earned cash rewards toward their monthly health insurance premium. Mr. Hedahl noted that, if an employee meets the criteria for all six of the wellness incentives, their resulting out-of-pocket expense for their premium is very low. He also noted that although the new deductible was considerably higher than their former plan, the design changes were well accepted and overall the program has been very successful. The premium has actually decreased every year since inception of this health plan. Discussion followed. Mr. Hedahl conveyed that the plan has been in existence for approximately 7 years, and emphasized that the focus is on the need for wellness and enabling employees to make a contribution toward their lifestyle. Hearing no further questions or discussion, Chairman Sagsveen thanked Mr. Hedahl for sharing this information with the Board.

Chairman Sagsveen recessed for a seven-minute break.

Chairman Sagsveen noted the next agenda item for consideration would be V-A.

Health Litigation:

Mr. Miller explained that the Board would need to make a motion to go into executive session for the purpose of attorney/client consultation with Mr. Todd Sattler, of the Attorney General's office. The consultation would be regarding a lawsuit against PERS and BCBSND by a PERS member.

MR. GUNKEL MOVED APPROVAL TO GO INTO EXECUTIVE SESSION PURSUANT TO NDCC § 44-04-19.1(7). MS. SAND SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Sagsveen

NAYS: None

PASSED

Chairman Sagsveen brought the meeting back into open session. He explained that the Board had been in executive session to consider confidential litigation involving PERS, the Board and BCBSND. Chairman Sagsveen asked for any motions to come before the Board.

MS. SAND MOVED APPROVAL TO AUTHORIZE MR. SAGSVEEN, AS THE ACTING CHAIRMAN, TO SIGN THE PROPOSED INDEMNITY AGREEMENT WITH NORIDIAN ON BEHALF OF THE BOARD, AND FOR MR. COLLINS TO SIGN THE AGREEMENT ON BEHALF OF PERS, AND TO APPOINT MR. KIRMIS TO REPRESENT THE BOARD AND PERS IF THE INDEMNITY AGREEMENT IS SIGNED. FURTHER, IN THE EVENT THE AGREEMENT IS NOT APPROVED BY THE ATTORNEY FOR BCBSND, MS. SAND MOVED APPROVAL TO AUTHORIZE MR. SATTLER TO FILE AND SERVE AN ANSWER DENYING THE CLAIM AND TO FILE A CROSS-CLAIM AGAINST BCBSND. MR. GUNKEL SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Sagsveen

NAYS: None

PASSED

MINUTES:

Chairman Sagsveen called for any comments or discussion regarding the minutes of the December 30, 1999 board meeting.

MS. SAND MOVED APPROVAL OF THE MINUTES AS SUBMITTED. MR. SAGE SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Sagsveen

NAYS: None

PASSED

RETIREMENT

Disability Services:

The current contract with MidDakota Clinic, for disability determination services under the Defined Benefit plan, will expire on June 30, 2000. The Board was asked to direct staff on whether they should prepare a Request For Proposal for these services, or renew the current contract with MidDakota Clinic. It was staff's recommendation that the current contract be renewed for one additional year. Discussion followed.

MR. GUNKEL MOVED APPROVAL TO EXTEND THE CONTRACT FOR ONE YEAR. MS. SAND SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Sagsveen,

NAYS: None

PASSED

Consultant Search:

Included with the board materials was a draft Request For Proposal (RFP) for technical consulting services relating to the two defined contribution plans. Mr. Collins noted the Investment Committee also reviewed the RFP and their recommendations had been incorporated into the draft. Mr. Collins then reviewed some proposed technical

modifications to the draft before the Board. Also included with the board materials was a list of firms to which the RFP would be sent. The Board was asked to consider approving the RFP for distribution and the proposed distribution list.

MR. GUNKEL MOVED APPROVAL OF THE RFP, AS MODIFIED, AND THE DISTRIBUTION LIST. MR. WELDEE SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Sagsveen

NAYS: None

PASSED

Defined Contribution Update:

Included in the board materials was an analysis of the enrollment process for the Defined Contribution (DC) plan. Mr. Collins noted that it may be beneficial to request that Segal rerun the actuarial valuations for June 30, 1999; deleting those members who have elected to participate in the DC plan to determine whether this has had an impact on the valuations. He noted it would especially be beneficial to see any impact this has had on the National Guard plan, since half the members in that system elected to switch to the DC plan. Segal indicated they would rerun the valuations for \$4500. Staff requested authorization to move forward with the work effort. Mr. Collins also suggested conducting a gain/loss report. The purpose of this report would be to collect information which could be collated into groups (i.e., those with less than 5 years of service, those with 5-10 years of service, etc.) to analyze and gain a better understanding of the impact the DC plan has had to the Defined Benefit system. Discussion followed. By consensus, the Board concurred that staff should move forward with these work efforts.

Mr. Collins conveyed that the Advisory Committee had met on January 7 to review the enrollment results and discuss whether any legislation should be developed for this program. The observations resulting from that discussion were included with the board materials. Mr. Collins noted the concepts were not recommendations from the full Advisory Committee; rather they were items discussed. The Board was asked to provide direction on how staff should proceed, and whether draft legislation should be prepared for their review.

Mr. Sage observed that the Board has a Benefits Committee in place to review proposed legislation and provide recommendations to the Board. He inquired whether this issue should go before the Benefits Committee since the purpose of the committee is to develop and propose new concepts relating to benefits. He noted the objective of the Advisory Committee was completed at the time the Defined Contribution plan was implemented. Mr. Collins explained the thought in seeking input from this committee was that the group had worked closely in development of the program and therefore would have input to offer. Discussion followed.

MR. SAGE MOVED APPROVAL THAT THE BOARD FORMALLY THANK THE ADVISORY COMMITTEE FOR THEIR VALUABLE ASSISTANCE AND INPUT, AND TO FORMALLY DISSOLVE THE COMMITTEE SINCE THE PURPOSE AND INTENT

OF THE COMMITTEE HAD BEEN FULLFILLED. MR. WELDEE SECONDED THE MOTION.

**AYES: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Sagsveen
NAYS: None**

PASSED

MR. GUNKEL MOVED APPROVAL TO REFER THE PROPOSED CONCEPTS TO THE BENEFITS COMMITTEE FOR REVIEW AND RECOMMENDATION. MR. SAGE SECONDED THE MOTION.

**AYES: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Sagsveen
NAYS: None**

PASSED

Mr. Collins conveyed that in the past the Benefits Committee has presented the Board with ideas and concepts, however the Committee did not conduct a formal vote regarding these recommendations. He asked whether it was the Board's intent that future recommendations be formally voted on. Mr. Gunkel clarified his understanding was that the concepts presented to the Board from the Benefits Committee had at least a consensus of that committee that they would like the Board to seriously consider the proposed concept. Although he did not feel it would be necessary for the committee to formally vote on the issues before them, he hoped that any future recommendations would be a reflection of their consensus on an issue.

Investment Guidelines:

Included with the board materials was a draft of proposed investment guidelines for the Defined Contribution plan. The draft was developed jointly by staff and the Investment Committee. A final draft will be prepared for the Board's consideration at the February meeting. This item was informational only and required no action by the Board.

Interest Calculation:

Included with the board materials was the response from legal counsel regarding whether the Board was statutorily required to use a specific type of interest methodology in calculating the transfer balances to the Defined Contribution plan. Mr. Miller concluded that the Board could use any method that it chose. His review did not locate an existing statute that directed a calculation methodology to be used in a similar situation. This item was informational only and required no action by the Board.

Proposed Rules:

Included with the board materials was an additional proposed rule that would clarify that eligibility under the DC plan, for health and the retiree health insurance program, is the same as under the DB plan. Mr. Miller drafted the proposed rule at the request of staff. Staff requested approval to move forward with the promulgation of this rule.

MS. SAND MOVED APPROVAL TO AUTHORIZE THE EXECUTIVE DIRECTOR TO GO TO HEARING WITH THE PROPOSED RULE. MR. LEINGANG SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Sagsveen
NAYS: None

PASSED

MISCELLANEOUS

1999 Annual Report:

Included with the board materials was the 1999 annual report prepared by staff. The report will be distributed to members in January and has also been submitted to the Government Finance Officers Association, with an application for the GFOA Certificate of Excellence. Several board members commented that the report was done very well. This item was informational only and required no action by the Board.

Audit Committee Report:

Included with the board materials were the minutes of the October 19, 1999 Audit Committee meeting. This item was informational only and required no action by the Board.

Other Business:

Mr. Collins conveyed that several board members indicated an interest in attending the conference sponsored by Fidelity Investments. He noted that in order for staff to proceed with making travel arrangements, the Board must first approve the requested travel.

MR. SAGE MOVED APPROVAL TO AUTHORIZE TWO BOARD MEMBERS TO ATTEND THE FIDELITY CONFERENCE. MS. SAND SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Leingang, Sage, Sand, Chairman Sagsveen
NAYS: None

PASSED

Next Meeting:

The next meeting of the PERS Board will be on February 24.

Chairman Sagsveen called for any other business or comments to come before the Board. Hearing none, the meeting was adjourned at 11:25 a.m.

Respectfully submitted,

Jeanne Welder
Secretary, NDPERS Board